

Message Text

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63

ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 EB-11 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 IGA-02 OMB-01 TRSE-00 DRC-01 /053 W

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P R 242020Z JAN 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 5090

INFO USDOC WASHDC

UNCLAS BUENOS AIRES 0614

PASS EXIMBANK.

E.O. 11652: N/A

TAGS: EFIN, AR.

SUBJECT: RIO GRANDE PUMPED STORAGE HYDROELECTRIC
PROJECT.

REF: A) STATE 012900; B) BA 9000.

1. EMBASSY VERY STRONGLY RECOMMENDS RECONSIDERATION
BY EXIMBANK OF DECISION DENYING 6 MONTHS'
EXTENSION OF GRACE PERIOD IN FINANCING OFFERED
FOR RIO GRANDE PROJECT. WE DO SO FOR THE FOLLOWING
REASONS:

2. THE BID SPECIFICATIONS DRAWN UP BY AGUA Y ENERGIA
ELECTRICA (A Y EE) FOR THE RIO GRANDE PROJECT
CALL FOR 12 MONTHS' GRACE PERIOD BEFORE START OF
REPAYMENT OF THE LOAN, AND THE COMPETITOR OR
COMPETITORS OF ALLIS CHALMERS (AC) HAVE ADHERED
TO THESE SPECIFICATIONS. AC'S FAILURE TO MEET
A Y EE'S REQUIREMENTS IN THIS REGARD COULD QUITE
POSSIBLY DISQUALIFY THEM AND LOSE A SALE WHICH
COULD CONTRIBUTE, HOWEVER MINIMALLY, IN TERMS OF
THE GLOBAL EXPORT FRAME OF REFERENCE, TO OUR QUEST
FOR BALANCE OF PAYMENTS EQUILIBRIUM IN COMING
YEARS.

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3. AC REPRESENTATIVES AND THE EMBASSY HAVE INVESTED CONSIDERABLE EFFORT IN PERSUADING A Y EE TO CONSIDER EXIMBANK FINANCING FOR THE FIRST TIME IN ITS HISTORY. WE FEEL THAT WE HAVE SUCCEEDED AND RIO GRANDE IS THE FIRST TEST CASE. ON OUR SUCCESS IN THIS CASE RIDES NOT ONLY THE \$30 MILLION DOLLARS IN SALES TO BE GENERATED BY THIS PARTICULAR PROJECT, BUT ALSO AN UNDETERMINED BUT LARGER SALES POTENTIAL IN FUTURE A. Y EE PROJECTS, WHICH TOTAL WELL INTO THE HUNDREDS OF MILLIONS OF DOLLARS IN THE NEXT FEW YEARS ALONE. FOR REASONS REPORTED IN REF B), A Y EE APPEARS ANXIOUS TO DEAL WITH AC AND EXIMBANK ON THIS PROJECT, AND AC FEEL THEY WOULD UNQUESTINABLY BE IN THE STRONGEST POSITION IN THIS COMPETITION IF THEIR FINANCIAL OFFER CAN BE ADJUSTED TO MEET BID SPECIFICATIONS. SHOULD AC BE DISQUALIFIED BECAUSE EXIMBANK IS UNABLE TO MEET THESE SPECIFICATIONS, THE APPREHENSION OF A. Y EE OFFICIALS ABOUT THE DIFFICULTIES IN DEALING WITH U.S. SUPPLIERS WITH EXIMBANK FINANCING WILL HAVE BEEN CONFIRMED IN SOME MEASURE, THE WORK OF 6 MONTHS UNDONE, AND THE FUTURE SALES TO A Y EE PROJECTS WHICH AMERICAN INDUSTRY MIGHT HAVE CAPTURED ARE LIKELY TO BE, IF NOT FORFEITED, AT LEAST JEOPARDIZED. EMBASSY THEREFORE BELIEVES THAT A DEPARTURE FROM "CUSTOMARY" EXIMBANK GRACE PERIOD PROVISIONS WOULD BE FULLY JUSTIFIED IN THIS CASE.

4. THE TIME ELEMENT HAS BECOME VITAL NOW. A Y EE HAS REPORTEDLY DECIDED TO MAKE THE AWARD PRIOR TO FEBRUARY 14, 1974, AND IT IS POSSIBLE THE AWARD WILL BE MADE AS EARLY AS WEEK OF JANUARY 27.
KREBS

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